

# **Beaumont**

**Period Ended  
March 31, 2019**

# Beaumont Health

*John G. Kerndl*  
*Executive Vice President and*  
*Chief Financial Officer*  
*Beaumont Health*

May 15, 2019

Re: Beaumont Health Management Discussion:  
Unaudited Results for the Three Months Ended March 31, 2019

Year-over-year volume increase in observations, while volumes for inpatient discharges, deliveries, emergency visits, surgeries and physician encounters decreased year-over-year, as shown in the table below.

Key Patient Metrics	3-Months Ended 3/31/19	3-Months Ended 3/31/18	% Change
IP Discharges	43,493	45,218	(3.8%)
Observations	14,585	12,393	17.7%
Deliveries	4,196	4,266	(1.6%)
Emergency Visits	142,309	143,303	(0.7%)
Surgeries	29,544	29,783	(0.8%)
Physician Encounters	793,911	801,387	(0.9%)

Beaumont Health's net income increased to \$129.1 million in the first quarter of 2019, an increase of \$119.1 million over the same period in 2018.

The organization saw operating revenues rise to \$1.15 billion, a \$23.4 million increase over the \$1.13 billion reported in the first quarter of 2018. Total operating expenses were \$1.11 billion at March 31, 2019; 3.7% above 2018 expenses of \$1.07 billion. Major contributors to the year-over-year increase were: staffing and benefits expenses primarily driven by insourcing and planned market adjustments, along with fringe benefit utilization and pension costs. Services and general expense increases primarily related to the presentation of provider taxes (QAAP and DSH); in 2019 these tax cost are reported as an expense item (\$36.9 million) with offsetting revenue in net patient service revenue. These costs, for the first quarter of 2018, were reported on a net basis and were reflected in the net patient services revenue income statement line.

Net operating income for the first quarter of 2019 was \$37.6 million; though a decrease from 2018, it was more than offset by strong non-operating performance. Non-operating gains for the first quarter were \$91.6 million compared to a non-operating loss of \$44.2 million in the same period last year.

Treasury indicators remained strong as cash and investments were \$2.1 billion at March 31, 2019 compared to \$1.9 billion at March 31, 2018. Unrestricted day's cash on hand was 172.9 days at March 31, 2019 as compared to 160.8 days at March 31, 2018. Total debt at March 31, 2019 was \$1.57 billion, compared to the March 31, 2018 balance of \$1.62 billion.

Questions are welcomed and can be directed to John G. Kerndl at (248) 213-3346 or via e-mail at [John.Kerndl@beaumont.org](mailto:John.Kerndl@beaumont.org).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Kerndl', with a stylized, flowing script.

John G. Kerndl  
Executive Vice President and Chief Financial Officer

**BEAUMONT HEALTH**  
**Consolidated**  
**Statement of Operations-Consol**  
**FOR THE PERIOD ENDED March 31, 2019**  
\$(000)

	YEAR-TO-DATE			
	YTD 2019	YTD 2018	VARIANCE	% VARIANCE
<u>REVENUE:</u>				
NET PATIENT SERVICE REVENUE	1,089,443	1,072,808	16,635	1.6%
Other Operating Revenue	58,077	52,193	5,883	11.3%
Net Assets Released from Restrictions - Operations	2,994	2,148	846	39.4%
<b>TOTAL REVENUE</b>	<b>1,150,513</b>	<b>1,127,149</b>	<b>23,364</b>	<b>2.1%</b>
<u>EXPENSES:</u>				
Salaries and Professional Services Compensation	559,339	550,388	(8,951)	(1.6%)
Benefits (Including Pension)	97,950	94,774	(3,176)	(3.4%)
Supplies	182,664	196,336	13,671	7.0%
Services & General	178,697	142,187	(36,510)	(25.7%)
Depreciation and Amortization	67,858	65,712	(2,146)	(3.3%)
Interest Expense	13,774	13,519	(256)	(1.9%)
Professional Liability & General Insurance	12,651	10,004	(2,647)	(26.5%)
<b>TOTAL EXPENSES</b>	<b>1,112,934</b>	<b>1,072,920</b>	<b>(40,014)</b>	<b>(3.7%)</b>
<b>Net Operating Income (Loss)</b>	<b>37,579</b>	<b>54,229</b>	<b>(16,650)</b>	<b>(30.7%)</b>
Operating Income %	3.3%	4.8%	(1.5%)	
<u>NON OPERATING:</u>				
<b>TOTAL NON OPERATING</b>	<b>91,556</b>	<b>(44,160)</b>	<b>135,716</b>	<b>307.3%</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$129,135</b>	<b>\$10,069</b>	<b>\$119,066</b>	<b>1182.5%</b>
Net Income (Loss) %	10.4%	0.9%	9.5%	

**BEAUMONT HEALTH**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2019 AND DECEMBER 31, 2018**  
**(\$000)**

	UNAUDITED	AUDITED
	MARCH	DECEMBER
	2019	2018
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 313,841	\$ 324,677
Short-term investments	-	-
Accounts receivable:		
Patients and third-party payors, net of allowance for uncompensated care, contractals and doubtful accounts	702,148	710,407
Other Accounts Receivable	49,901	46,451
Accounts receivable - net	752,049	756,858
Estimated third-party payor settlements under Blue Cross, Medicare and Medicaid programs	50,185	51,107
Inventories and prepaid expenses	132,056	124,611
Current portion - cash, investments and pledges whose use is limited or restricted	106,827	122,806
Total current assets	1,354,958	1,380,060
PROPERTY, PLANT AND EQUIPMENT, NET	2,170,392	2,046,045
INVESTMENTS	1,693,498	1,598,766
INVESTMENTS IN NONCONSOLIDATED ENTITIES	52,393	52,504
GOODWILL	13,273	13,273
INTANGIBLES AND OTHER ASSETS	89,608	88,973
CASH, INVESTMENTS AND PLEDGES WHOSE USE IS LIMITED OR RESTRICTED:		
Board Designated	274	270
Bond construction and reserve funds	455	455
Professional liability	50,433	47,808
Deferred compensation and other	84,821	83,023
Donor restricted assets	140,876	119,984
Total cash, investments and pledges whose use is limited or restricted	276,859	251,539
TOTAL ASSETS	\$ 5,650,981	\$ 5,431,160

**BEAUMONT HEALTH**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2019 AND DECEMBER 31, 2018**  
**(\$000)**

	<b>UNAUDITED MARCH 2019</b>	<b>AUDITED DECEMBER 2018</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	\$ 150,152	\$ 161,531
Accrued liabilities:		
Employee benefits & payroll related liabilities	251,159	290,251
Other	98,876	67,096
Total accrued liabilities	350,035	357,347
Current portion - estimated professional and general liability	54,129	54,129
Current portion of long-term debt	51,870	51,918
Current portion of estimated third-party payor settlements & Other	24,119	48,680
Total current liabilities	630,306	673,605
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt - net	1,515,760	1,520,084
Estimated third-party payor settlements under		
Professional and general liability	179,943	180,915
Other long-term liabilities	224,715	123,548
Pension liability	363,704	351,519
Postretirement benefits other than pensions	13,769	13,871
Total long-term liabilities	2,297,892	2,189,937
Total liabilities	2,928,198	2,863,542
<b>NET ASSETS:</b>		
Unrestricted	2,564,831	2,428,850
Temporarily restricted	109,002	89,961
Permanently restricted	48,951	48,806
Total net assets	2,722,784	2,567,618
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 5,650,981</b>	<b>\$ 5,431,160</b>

**BEAUMONT HEATH**  
**KEY RATIOS**  
**FOR THE PERIODS ENDED MARCH 31, 2019 AND DECEMBER 31, 2018**

			March 31, 2019	December 31, 2018
	Moody's "A1" (2017)	S&P "A+" (2017)	Beaumont Health	Beaumont Health
Net Patient Service Revenue			\$ 1,089.4	\$ 4,425.1
Operating Income			\$ 37.6	\$ 240.7
Operating EBIDA			\$ 119.2	\$ 555.9
Unrestricted Cash & Investments			\$ 2,007.6	\$ 1,923.7
Bond Reserve Fund (Restricted)			\$ 50.5	\$ 64.5
<b>Subtotal Cash &amp; Investments</b>			\$ 2,058.1	\$ 1,988.2
Total Debt			\$ 1,567.6	\$ 1,572.0
Net Patient Receivable Days (Hospital / EPIC Only)			58.9	60.7
<b><u>Profitability:</u></b>				
Operating Margin *	2.6%	1.8%	3.3%	3.7%
Operating EBIDA Margin *	9.0%	7.9%	10.4%	10.5%
<b><u>Debt Position:</u></b>				
Debt to Capitalization	28.9%	33.1%	38.8%	40.1%
<b><u>Liquidity:</u></b>				
Cash to Total Debt	191.6%	164.0%	131.3%	126.5%
Unrestricted Days Cash on Hand	252.4	188.6	172.9	163.4

\* 2018 Excludes settlement/other items of \$74.0M and Divestiture Gain of \$140.2M

**BEAUMONT HEALTH**  
**NET PATIENT SERVICE REVENUE BY PAYOR SOURCES**  
**FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Medicare	39.9%	40.8%
Medicaid	17.1%	14.6%
Blue Cross	23.0%	24.4%
Patient Pay	1.1%	1.5%
Managed Care	11.4%	8.7%
Commercial	3.6%	5.5%
Other	3.9%	4.5%
Total	100.0%	100.0%